

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 MAPUTO 001398

SIPDIS

STATE FOR AF/S - HTRERGER AND EB/TRA

PRETORIA FOR JRIPLY

FCS - RDOVONAN, JVANRENSBURG

USDOC FOR AHILLIGAS AND RTELCHIN

PASS USAID FOR AA/AFR AND AFR/SA

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [EINV](#) [ETRD](#) [MZ](#)

SUBJECT: SEPTEMBER-OCTOBER ECONOMIC WRAP-UP: MOZAMBIQUE

-----  
CONTENTS  
-----

Macroeconomics

[12.](#) GDP Growth Rate Meeting 2004 Target

[13.](#) Inflation Figures

Ports, Roads, and Railways

[14.](#) Limpopo Bridge

[15.](#) Traffic at Beira Port

Energy

[16.](#) Negotiations on Cahora Bassa Dam

Public Utilities

[17.](#) Water Agreements Signed

Agriculture

[18.](#) Increase in Cotton Production

[19.](#) Increase in Grain Production

[110.](#) Helping Small-Scale Farmers in Zambezia

Business

[111.](#) Aid to Artisans

[11.](#) (U) The Mozambique monthly economic cable is jointly produced by the Embassy and USAID.

-----  
MACROECONOMICS  
-----

[12.](#) (U) The GRM reports that the Mozambican economy is in line with the 8% growth rate target for 2004. Economic activity grew by 8.4% in the first six months of the year, when compared with the same period in 2003. The first six months of 2004 also saw a 15.9% growth in exports. Most of this growth is a result of the opening of the second phase of the MOZAL aluminum smelter. The smelter's capacity has doubled to 506,000 tons of aluminum ingots per year - all of which is exported.

[13.](#) (U) Consumer prices rose by 5.9% in the first eight months of 2004, and inflation for the full year is expected to be around 12%. This is slightly lower than the levels of recent years. During this same time, the metical appreciated by three percent against the US dollar.

-----  
PORTS, ROADS, AND RAILWAYS  
-----

[14.](#) (U) In December, the GRM will request bids for design and reconstruction of the Limpopo Bridge, in Gaza province. The bridge, which was destroyed by Rhodesians in 1979, links the districts of Chokwe and Guija. It is anticipated that a firm will be chosen in the first semester of 2005 to begin work. The target completion date is late 2006.

[15.](#) (U) According to news sources, the port of Beira registered an 8.3% increase in the volume of containerized cargo handled from January-August of this year. 28,661 twenty-foot equivalent units or teus were handled in this period, compared to 25,461 teus during the same time period in 2003. Total movement at the port of Beira was 40,801 teus in 2003. Zimbabwean container traffic through the port continues to decline due to the economic crisis, with 7,632 teus registered from January-August 2004 compared to 8,806 teus during the same time period in 2003. Despite this continuing slow-down, Zimbabwe remains the largest source of container trade through the port. Container traffic for Malawi and Zambia has registered a slight decline in 2004 to date. Botswana, a non-traditional trader at Beira Port, registered an increase in container traffic (64 teus compared to date in 2004 to 40 teus in 2003). Mozambique registered an increase from 2715 teus in 2003 to 4235 teus in 2004. Contrary to the increasing level of container traffic, the port has suffered a 24% decline in the passage of general cargo from January-August 2004 (494,416 metric tons) compared to the same time period in 2003 (650,169 metric tons). This decline results from the absence of flour exported from Zimbabwe and Malawi (Zimbabwe has become a net importer of flour due to the current crisis). Likewise, ferrochrome and mineral exports from Zimbabwe have sharply declined.

-----  
ENERGY  
-----

[16.](#) (U) In a recent visit to Lisbon, President Chissano announced his intention to resolve the Cahora Bassa dam issue before the

end of his mandate (January 2005). The GRM has been in discussions with the Government of Portugal over the past year, negotiating a new arrangement for ownership of the dam. These negotiations were recently put on hold due to the appointment of a new Portuguese Prime Minister, Pedro Santana Lopes. Both parties are looking for a technical solution that will give Mozambique ownership of Hidroelectrica Cahora Bassaa (HCB), the firm that runs dam operations. The sticking point remains the repayment of a massive amount of debt HCB owes the Portuguese Treasury (estimated USD 2 billion, although both parties differ on the exact amount) - an amount that the GRM cannot afford to pay off. Some are skeptical that an agreement can be reached in the next two months.

-----  
PUBLIC UTILITIES  
-----

17. (U) The GRM, the World Bank, and the French Development Agency will spend nearly USD 15.6 million to improve the quality and quantity of water supplied to four major cities across the country, including Maputo, Quelimane, Nampula, and Pemba. On September 20, the Water Supply Investment and Assets Fund (FIPAG) signed agreements with the companies, from France, Zambia, and China, that won the international tenders to perform the work (launched in 2003 and 2004). Work is expected to be completed by mid-2006. The largest amount of work will be done in Quelimane, where USD 10.7 million will be spent on expanding coverage of the water network from the current 43,000 consumers, representing about 20 percent of the population, to over 100,000 consumers. In Nampula city, the work is budgeted at USD 2.8 million, and will consist of the rehabilitation and extension of the water treatment station. In Pemba, a rapidly-growing tourist destination on the northern coast, the task is to increase pumping capacity from 6,700 to about 14,000 cubic meters a day and improve the quality of water, which is expected to cost USD 2.4 million. The remaining funds will be used to develop a water losses study for the city of Maputo. The work in all four cities is to be supervised and inspected by "Aguas de Mocambique" (Waters of Mozambique), the Portuguese-led consortium that has the contract to manage water assets in seven of the country's main cities.

-----  
AGRICULTURE  
-----

18. (U) The GRM targets an excess of 85,000 tons of cotton to be marketed this year, despite the poor rainy season, particularly in Nampula, the province with the highest capacity for production. It was previously estimated that Nampula would harvest only 30,000 tons of cotton, but there now is hope of yields of up to 37,000 or 40,000 tons, which will take the marketing figure to over 85,000 tons across the country. The various actors involved in the cotton business have fixed the producer prices at 7,000 meticaïs (about 30 US cents) and 5,000 meticaïs per kilo of first grade and second grade cotton, respectively.

19. (U) Mozambique hopes to produce more than two million tons of grain in the 2004-2005 agricultural season, which will result in a five per cent increase from the results of the previous harvest. In order to prepare the forthcoming agricultural campaign, agricultural fairs are taking place around the country, allowing farmers to acquire seeds and agricultural tools.

110. (U) According to local news sources, the Government of India has opened a line of credit worth USD 20 million for small-scale projects to assist farmers in the central province of Zambezia. The Mozambican High Commissioner to India and the Executive Director of the Export-Import Bank of India signed the memorandum formalizing this initiative in India on September 10. The initiative covers areas such as the processing of coconuts, rural electrification, and the drilling of wells and the installation of hand pumps. On the same day a second memorandum of understanding was signed under which the government of Mozambique and the Export-Import Bank of India reaffirmed their readiness to resolve the problem of Mozambique's private debt to India, which in late December was estimated to stand at USD 6.8 million dollars. The Indian government cancelled USD 3.8 million of Mozambique's public debt in May 2003 under the HIPC (Heavily Indebted Poor Countries) debt relief initiative.

-----  
BUSINESS  
-----

111. (U) Aid to Artisans (ATA), the American nonprofit organization, received a USD 900,000 subsidy to expand business and guarantee long-term sustainability to craftwork activity in Mozambique and South Africa. This financing, provided by the Kellogg Foundation, will enhance the capacity of Mozambican and South African artists through the provision of training, the development of products, and linkages to the market. ATA has been working in Mozambique since 1998 and is supported by various donors. The primary focus of assistance has been to provide opportunities for craftspeople, specifically in wood sculpturing. The Kellogg financing will improve the business opportunities for local craftspeople. ATA will do this by creating a "craft

village" for the artisans to consolidate their handicrafts and sell them on the local market and by improving access to export markets through fairs and other events. Additionally, they will establish a "wood shop" where artisans can obtain prime material. Currently, ATA works in Nampula, Manica, and Sofala provinces. The financing will allow ATA Mozambique to help a greater number of artisans in more locations.

LA LIME